

BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

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PUBLIC UTILITIES  
COMMISSION

FILED

In the Matter of the Application of )  
HAWAIIAN ELECTRIC COMPANY, INC. )  
For Approval of Rate Increases and )  
Revised Rate Schedules and Rules )

DOCKET NO. 2008-0083

DEPARTMENT OF DEFENSE'S SIXTH  
SUBMISSION OF INFORMATION REQUESTS.

AND

CERTIFICATE OF SERVICE

RICHARD CARLILE  
Associate Counsel (Code 09C)  
Naval Facilities Engineering Command, Pacific  
258 Makalapa Drive, Suite 100  
Pearl Harbor, HI 96860-3134  
Telephone (808) 472-1195

ATTORNEYS FOR  
DEPARTMENT OF DEFENSE

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

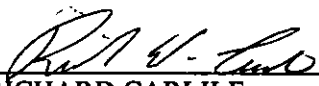
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DEPARTMENT OF DEFENSE'S SIXTH  
SUBMISSION OF INFORMATION REQUESTS  
TO HAWAIIAN ELECTRIC COMPANY, INC.

COMES NOW, DEPARTMENT OF DEFENSE by and through its undersigned attorney and  
hereby submits its Sixth Submission of Information Requests to Hawaiian Electric Company, Inc.

DATED: Honolulu, Hawaii, January 22, 2009.

  
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RICHARD CARLILE  
Associate Counsel (Code 09C)  
Naval Facilities Engineering Command, Pacific  
258 Makalapa Drive, Suite 100  
Pearl Harbor, HI 96860-3134  
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DEPARTMENT OF DEFENSE

DEPARTMENT OF DEFENSE'S SIXTH  
SUBMISSION OF INFORMATION REQUESTS  
TO HAWAIIAN ELECTRIC COMPANY, INC.  
INSTRUCTIONS

In order to expedite and facilitate Department of Defense's review and analysis in the above matter, the following is requested:

1. For each response, HECO should identify the person who is responsible for preparing the response as well as the witness who will be responsible for sponsoring the response should there be an evidentiary hearing;
2. Unless otherwise specifically requested, for applicable schedules or workpapers, HECO should provide hard copies of each schedule or workpaper together with one copy of each such schedule or workpaper on electronic media in a mutually agreeable format (e.g., Excel and Quattro Pro, to name two examples); and
3. When an information request makes reference to specific documentation used by HECO to support its response, it is not intended that the response be limited to just the specific document referenced in the request. The response should include any non-privileged memoranda, internal or external studies, assumptions, HECO instructions, or any other relevant authoritative source which HECO used.
4. Should HECO claim that any information is not discoverable for any reason:
  - a. State all claimed privileges and objections to disclosure;
  - b. State all facts and reasons supporting each claimed privilege and objection;
  - c. State under what conditions HECO is willing to permit disclosure to Department of Defense (e.g., protective agreement, review at business offices, etc.); and

- d. If HECO claims that a written document or electronic file is not discoverable, besides complying with subparagraphs 4(a-c), identify each document or electronic file, or portions thereof, that HECO claims are privileged or will not be disclosed, including the title or subject matter, the date, the author(s) and the addressee(s).
5. Please provide each response in electronic format (if available) as well as paper. Please provide two paper copies of each response, with one copy going directly via overnight delivery to DOD at the following address:

Dr. Khojasteh Davoodi  
NAVFAC HQ ACQ-URASO  
1322 Patterson Avenue, S.E., Suite 1000  
Washington Navy Yard  
Washington, D.C. 20374-5065  
E-mail: [Khojasteh.Davoodi@navy.mil](mailto:Khojasteh.Davoodi@navy.mil)  
Ph. (202) 685-3319  
Fax: (202) 433-7159

and one copy going directly via overnight delivery to DOD's consultant at the following address:

Ralph Smith  
Larkin & Associates  
15728 Farmington Road  
Livonia, MI 48154  
Email: [RSmithLA@aol.com](mailto:RSmithLA@aol.com)  
Phone: (734) 522-3420  
Fax: (734) 522-1410

Please also provide responses in electronic format to Dr. Davoodi and Larkin & Associates at the e-mail addresses above, and to Mr. Richard Carlile at [richard.carlile@navy.mil](mailto:richard.carlile@navy.mil).

**DEPARTMENT OF DEFENSE'S SIXTH SET OF INFORMATION REQUESTS**

**TO HAWAIIAN ELECTRIC COMPANY, INC.**

**DOCKET NO. 2008-0083**

The following information requests are directed to HECO.

DOD-IR-113. Account 932. Refer to HECO's rate case update, HECO T-14, page 19 of 28.

- (a) Provide the actual expense by account for the Ward parking structure covered level improvements and, separately, the ramp wall improvements.
- (b) Why didn't HECO update the "non-recurring maintenance normalization adjustment" (in Note 3 on HECO-1412)?
- (c) Provide the actual 2007 non-recurring maintenance projects cost, by account, by project.
- (d) Provide the actual 2006 non-recurring maintenance projects cost, by account, by project.
- (e) Why did HECO use a three year average for the non-recurring maintenance normalization adjustment? Explain fully.
- (f) Why did HECO use 2008-2010 as the three years? Explain fully.
- (g) Note 1 states: "The estimated recurring maintenance amount includes an upward budget adjustment of \$88,000 related primarily to King Street building repairs and maintenance work." Show exactly how the \$88,000 increase translated into the \$35,000 increase shown in the "Rate Case Update" column for estimated annual recurring maintenance.

(h) Explain why HECO would expect \$88,000 in every year for King Street building repairs and maintenance.

(i) Provide the actual King Street maintenance and repairs cost by account and project for each year, 2006 through 2008 actual, and as projected for 2009 and 2010.

(j) Are all of the amounts on HECO's rate case update, HECO T-14, page 19 of 28 for Account 932 non-labor? If not, please identify the labor amounts by project included for each item.

DOD-IR-114. Employee count.

(a) Please identify all temporary employees on the HECO Rate Case Update, HECO T-15, page 16 of 17, update of HECO-WP-1501.

(b) Please identify all interns on the HECO Rate Case Update, HECO T-15, page 16 of 17, update of HECO-WP-1501.

(c) Please provide actual employees for January 2005 through December 2008 in similar format to HECO-WP-1501.

(d) Please identify all other rate cases, of which HECO is aware, in Hawaii or elsewhere, where future test year employee counts were derived pursuant to a regression formula.

(e) Please identify by department by month from January 2005 through December 2008 all budgeted and, separately, actual Power Supply (PS) employees.

(f) Please identify, by department, all actual Power Supply contract services employees by month from January 2005 through December 2008.

(g) Please identify, by department, all budgeted Power Supply contract services employees by month from January 2005 through December 2008.

(h) Please provide all documentation relied upon by HECO for its statement at Rate Case Update, HECO T-15, Attachment 6, page 1 of 9 (revised 12/17/08), footnote 2, that the Power Supply "department covers shortfalls by increasing its supplemental workforce (e.g., contract services)."

DOD-IR-115. Employee count. Refer to Rate Case Update, HECO T-15, Attachment 6, page 7 of 9 (revised 12/17/08).

(a) Provide November and December 2008 information similar to that shown on the referenced attachment page.

(b) Provide similar information for Power Supply employment headcount for January 2005 through December 2008.

(c) Provide similar information for Power Supply contract workforce headcount for January 2005 through December 2008.

(d) Explain why the actual to budget forecasting accuracy decreased after 6/30/2007.

(e) Explain why the actual to budget forecasting accuracy decreased after 6/30/2008.

(f) Explain why the actual to budget forecasting accuracy decreased after 12/31/2007.

(g) Explain why the actual to budget forecasting accuracy decreased after 7/31/2008.

(h) Identify all temporary positions included in the actual and budgeted employee counts listed on the referenced attachment page.

(i) Identify all intern positions included in the actual and budgeted employee counts listed on the referenced attachment page.

DOD-IR-116. Employee counts. Refer to HECO's rate case update for HECO T-15, page 1 of 17.

(a) HECO states: "in some instances HECO removed employees from the test year employee count." Please identify all employees/positions removed from the test year employee count. Please show this by department.

(b) Please identify all employees/positions for which HECO "moved back the 'hire' date." Please show this by department.

DOD-IR-117. Pension expense. In 2007 or 2008 or for 2009 did HECO (or HEI) hedge any of its exposure of pension fund assets to the stock market downturn? If not, explain fully why not. If so, please describe in detail how such exposure was hedged and what were the results.

DOD-IR-118. Pension expense. With the adoption of a pension tracker in HECO's last base rate case, does HECO view all fluctuations in the net periodic pension cost as being the responsibility of its ratepayers? If not, explain fully why not.

DOD-IR-119. Pension expense.

(a) Has HECO done anything in 2008 to hold down pension costs? If not, explain fully why not. If so, please describe in detail everything that HECO has done.

(b) Does HECO plan to do anything in 2009 to hold down pension costs? If not, explain fully why not. If so, please describe in detail everything that HECO plans to do.

DOD-IR-120. Pension expense. Has HECO conducted any studies or does HECO have any information concerning whether the provision of a defined benefit pension plan is a cost-effective way of providing employee compensation and/or for purposes of work force retention? If not, explain fully why not. If so, please identify, describe and provide a copy of the studies and information that HECO has in this regard.



DOD-IR-121. Employee benefits. Refer to the update to HECO T-13 for employee benefits and the update to HECO T-15 for employee count.

(a) Have these HECO updates been fully synchronized with each other? If not, explain fully why not.

(b) Does HECO provide employee benefits to contract employees? If not, explain fully why not. If so, please identify, quantify and explain all employee benefits that HECO provides to contract employees.

(c) Referring to the HECO T-13 update at page 2 of 3, and the 1,636 average number of employees for the test year less the 18 temporary employees average to derive 1,618 average number of employees for group insurance, please identify, quantify and explain how many of the 1,618 are for Power Supply employee positions that are not filled, but which HECO might fill with contract services.

(d) Please identify the number of Power Supply positions that are unfilled with HECO employees at 12/31/08.

DOD-IR-122. HR Suite Project.

(a) Provide all information HECO relied upon for a 12 year amortization period.

(b) Please identify each item of software and systems that the HR Suite would replace.

(c) For each item identified in response to part b, please identify when it was first placed into service.

(d) What does HECO anticipate would happen at the end of year 12 of the amortization period that would render the HR Suite unusable?

(e) Explain in detail the employee self-service function of the HR Suite.

(f) Is the employee self-service component expected to produce any cost savings? If not, explain fully why not. If so, please identify the anticipated cost savings.

(g) Is the HR Suite expected to be more efficient than the current systems HECO is using? If not, explain fully why not. If so, please identify, quantify and explain the efficiency improvements that the HR Suite will produce.

(h) Please show in detail the monthly amounts of AFUDC and how the monthly amounts of AFUDC for the HR Suite Project were calculated. Provide the AFUDC details for the period commencing with the first accrual of AFUDC for this project through the anticipated completion date.

(i) Please provide a history of the cost overruns and budget increases related to the HR Suite Project from its inception through 2009.

(j) Please provide a history of the slipped deadlines and project delays related to the HR Suite Project from its inception through 2009.

(k) Does HECO or HEI management take any responsibility for any of the cost overruns and budget increases related to the HR Suite Project from its inception through 2009? If not, explain fully why not. If so, please identify, quantify and explain the cost overruns and budget increases that have been incurred for the HR Suite Project for which management has taken responsibility.

DOD-IR-123. Wind study. Refer to HECO T-14 update, page 3 of 28, \$925,000 Rate Case Update for Total Oahu Wind Study Phase I.

(a) Has this study commenced? If not, explain fully why not.

(b) Was any work product produced from the \$72,000 amount identified for 2008? If not, explain fully why not. If so, please identify and provide the work product.

(c) Was a Phase I conducted for a Maui Wind Study (Maui Phase 2 for \$75,000 is now being allocated to HECO as Oahu Wind Study Phase I)? If not, explain fully why not. If so, please identify and provide the work product from Maui Phase 1.

(d) What happened to Maui Wind Study Phase 2? Why was this determined to be unnecessary and/or deferrable? Explain fully.

(e) What is the HNEI/USDOE cost share for \$176,000 and why is HECO proposing to charge ratepayers for it? Explain fully.

(f) What specific work was included in the HECO-original estimate of \$352,000? Identify, quantify and explain such work.

(g) What additional or incremental work is included in the TY 2009 Adjustment of \$250,000? Identify, quantify and explain such work.

(h) What use has HECO made of data from existing wind generation sites in the continental U.S. or elsewhere? Explain fully.

(i) What tangible work products does HECO anticipate receiving for the \$925,000? List and describe each of them.

DOD-IR-124. Rent expense increase. Has the economic downturn resulting from the financial crisis enabled HECO to negotiate and obtain more favorable rental rates at any of the office space it is currently leasing or for the additional office space it anticipates needing in 2009 for additional staffing? If not, explain fully why not. If so, please identify, quantify

and explain how the rental rates for leased office space used by HECO in its filing and update incorporate and reflect the deals available as a result of the economic downturn.

**DOD-IR-125. Rent expense increase.**

(a) Does HECO have any information on how rental rates for office space on Oahu have been impacted by the economic downturn and/or how they have changed in 2008 or are anticipated to change in 2009? If so, please identify, quantify and explain the impact and trends on rental rates for office space.

(b) Has HECO attempted to renegotiate any existing leases for office space in 2008? If not, explain fully why not. If so, please identify, quantify and explain such efforts.

(c) Does HECO plan on any existing leases for office space in 2009? If not, explain fully why not. If so, please identify, quantify and explain such efforts.

**DOD-IR-126. Impact of economic and financial crisis.**

(a) Does HECO agree that there is an economic and financial crisis being experienced in the U.S. and throughout much of the world that is expected to affect 2009? If not, explain fully why not.

(b) Does HECO have any information on what portion of its ratepayers are being adversely affected by the economic and financial crisis? If not, explain fully why not. If so, please provide the information that HECO has in this regard.

(c) When HECO originally prepared its 2009 test year filing, was it anticipating that 2009 would be a relatively normal year in terms of economic conditions? If not, explain fully why not.

(d) Does HECO agree that the developments of the past 3 to 4 months have resulted in many companies and individuals drastically changing their expectations for 2009? If not, explain fully why not.

(e) Are there any discretionary or non-essential projected expenditures in HECO's original filing and update of the 2009 test year that could reasonably be curtailed or deferred into a future period when the economic and financial situation is not so dire? If not, explain fully why not. If so, please identify, quantify and explain any and all discretionary or non-essential projected expenditure in HECO's update of the 2009 test year that could reasonably be curtailed or deferred into a future period beyond the 2009 test year.

DOD-IR-127. Wage and salary increase.

(a) Are the projected 2009 wage and salary increases in HECO's updated filing for non-union employees, or any portion of those increases, in any way based upon expected inflation? If not, explain fully why not.

(b) Are HECO's expectations of inflation in 2009 currently the same as when HECO originally prepared its 2009 test year filing? If not, explain fully why not, and identify how HECO's expectations of 2009 inflation have changed.

DOD-IR-128. How have expectations of general inflation, as measured by the Consumer Price Indicator or Implicit Price Deflator, changed since HECO originally prepared its 2009 test year filing through the present? Explain and provide a copy of information relied upon in your response.

DOD-IR-129. General inflation adjustment. Did HECO update HECO-1708, its adjustment for general inflation? If not, explain fully why not. If so, please provide the updated adjustment that would replace HECO-1708 in Excel.

DOD-IR-130. Refer to HECO T-17.

(a) Please confirm that HECO used issues of Blue Chip Economic Indicators from 1/10/2008 and 5/10/2008, as stated on HECO T-17, pages 22-23, as its primary source for the 2009 Consumer Price Index which HECO used as its general inflation factor of 2.5% for 2009. If this is not the case, explain fully why not.

(b) Please identify all sources HECO used for the 2.5% general inflation factor.

(c) Please provide the most current two issues of Blue Chip Economic Indicators.

(d) If any publications besides Blue Chip Economic Indicators were used by HECO for its 2.5% general inflation factor, please identify each such publication and provide the most current two issues of each such publication.

(e) If the best current information shows that the Consumer Price Index is expected to be negative in 2009 (i.e., that deflation, rather than inflation, was expected) would HECO agree that its general inflation adjustment that increased 2009 test year expenses should be replaced with a general deflation adjustment to decrease such expenses? If not, explain fully why not.

DOD-IR-131. General inflation adjustment. Does HECO or its affiliates have the December 2008 or January 2009 issue of Global Insight U.S. Economic Outlook? If not, explain fully why not. If so, please identify the projections for 2009 of the U.S. CPI for All Urban Consumers (CPI-U) in those publications and provide a copy of those issues.

DOD-IR-132. HECO T-11 update, \$100,000 for consultant to study movement of U.S. corporations toward international financial reporting standards.

a) Please identify, explain and provide a copy of all communications and directives that mandate HECO to incur this consulting cost in 2009.

(b) Identify all fines, penalties and non-compliance costs that HECO would incur in 2009 if it scrapped the budget item for \$100,000 for a consultant to study movement of U.S. corporations toward international financial reporting standards.

(c) Show in detail how the cost is allocated between HECO and its affiliates, including HEI, HELCO, MECO and other HEI subsidiaries.

(d) Could the incurrence of this cost be reasonably deferred from 2009 and into some future period? If not, explain fully why not.

DOD-IR-133. HECO T-22 and T-23 updates.

(a) Why wouldn't HECO's Purchased Power Adjustment clause provide for the recovery of the purchased power expenses of \$477,055,000 which appear in the HECO T-23 update Attachment 2, page 1 of 13, and on Attachment 3, page 1 of 13. Explain fully.

(b) In its update, is HECO seeking to recover those purchased power expenses of \$477,055,000 in base rates as well as in Purchased Power Adjustment clause? If not, explain fully why not. If so, it would be in contrast to the explanation in HECO T-22 Update Page 2 of 4. Explain fully and in detail why these should be recovered in base rates, and how that would not produce a double recovery.

CERTIFICATE OF SERVICE

I hereby certify that one copy of the foregoing document was duly served upon the following parties, by personal service, hand-delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR sec. 6-61-21(d).

Ms. Catherine P. Awakuni  
Executive Director  
Division of Consumer Advocacy  
Department of Commerce and Consumer Affairs  
P. O. Box 541  
Honolulu, HI 96809

2 Copies

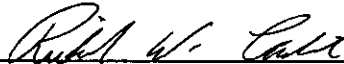
Darcy L. Endo-Omoto  
Vice President - Government and Community Affairs  
Hawaiian Electric Company, Inc.  
P. O. Box 2750  
Honolulu, HI 96840-0001

Mr. Dean K. Matsuura  
Manager - Regulatory Affairs  
P. O. Box 2750  
Honolulu, HI 96840-0001

Thomas W. Williams, Jr., Esq.  
Peter Y. Kikuta, Esq.  
Damon L. Schmidt, Esq.  
Goodsill Anderson Quinn & Stifel  
Alii Place, Suite 1800  
1099 Alakea Street  
Honolulu, HI 96813

Counsel for Hawaiian Electric Company, Inc.

DATED: January 22, 2009, Honolulu, Hawaii

  
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RICHARD CARLILE  
Associate Counsel  
Naval Facilities Engineering Command,  
Pacific